

IN THE GRAND COURT OF THE CAYMAN ISLANDS  
FINANCIAL SERVICES DIVISION



CAUSE NO: FSD 229 OF 2019 ( )

IN THE MATTER OF THE COMPANIES LAW (2018 REVISION)

AND IN THE MATTER OF G3 EXPLORATION LIMITED (FORMERLY GREEN DRAGON GAS LTD)



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WINDING UP PETITION

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**To the Grand Court**

The humble petition of Nordic Trustee AS (formerly known as Nordic Trustee ASA), a company incorporated under the laws of Norway (the **Petitioner**) whose registered office is situated at Kronprinsesse Marthas plass 1, N-0160, Oslo shows that:

1. The Petitioner presents this petition for the winding up of G3 Exploration Limited (formerly known as Green Dragon Gas Ltd) (the **Company**) and the appointment of Alex Lawson and Christopher Kennedy of Alvarez & Marsal, Flagship Building, PO Box 2506, 2<sup>nd</sup> Floor, 70 Harbour Drive, George Town, Cayman Islands, KY1-1104 as joint official liquidators of the Company.
2. The Company is an exempted company registered pursuant to the Companies Law (2018 Revision) (as amended) (the **Companies Law**). It was incorporated on 28 March 2006 with registration number MC-165014. The registered office of the Company is c/o Conyers Trust Company (Cayman) Limited, PO Box 2681, Cricket Square, George Town, Cayman Islands.
3. The Petitioner is a bond trustee to certain bondholder creditors of the Company and seeks the winding up of the Company on the basis that the Company is unable to pay its debts.

**The Company**

4. The Company is the holding company of a corporate group (the "**Group**") which specialises in the exploration and development of coal bed methane gas. The Group carries on business in the People's Republic of China. The Company's shares are listed on the Main Market of the London Stock Exchange.
5. The Company wholly and directly owns Greka Gas China Limited ("**GGC**"), an exempted limited company incorporated under the laws of the Cayman Islands with registration number

74500. GGC, in turn, has a number of direct and indirect subsidiaries that are incorporated in the Cayman Islands, the BVI and the Netherlands, including:

- 5.1 Green Dragon Gas Limited;
- 5.2 Greka Energy (International) B.V.; and
- 5.3 Greka Exploration and Production Ltd.

#### **The Petitioner**

- 6. The Petitioner acts as bond trustee on behalf of the holders of certain bonds with an aggregate principal face value of USD88,000,000 issued by the Company pursuant to a Norwegian law governed bond agreement originally dated 19 November 2014 (as amended from time to time) and entered into by the Company (as issuer) and the Petitioner (as bond trustee) in respect of the Company's 10% Green Dragon Gas Ltd Senior Secured Callable Bond Issue 2014/2017 (the **Bond Agreement**, the bonds issued thereunder being referred to herein as the **Bonds** and the holders thereof, the **Bondholders**).
- 7. The Bond Agreement provides that the Petitioner may take any step it, in its sole discretion, considers necessary or advisable to ensure the rights of the Bondholders in all matters pursuant to the terms of the Bond Agreement.
- 8. The Bond Agreement further provides that the Petitioner has power and authority to act on behalf of, and/or represent the Bondholders, in all matters, included but not limited to taking any legal action or other action, including enforcement of the Bonds and/or the opening of bankruptcy or other insolvency proceedings.

#### **The Debt**

- 9. The Bonds matured on 20 November 2017 and should have been repaid on that date at a rate of 102% of par, together with all accrued and unpaid interest.
- 10. To date, however, the Bonds have not been repaid by the Company or any other member of the Group and a principal amount of USD89,760,000 currently remains outstanding under the Bonds.
- 11. Pursuant to the Bond Agreement, default interest continues to accrue and compound in respect of the Bonds. Default interest amounts to 15% per annum and accrues until such time as the defaulted amount, owing under the Bond Agreement is paid in full. As at the date of this petition, the total amount of interest that has accrued and remains unpaid in respect of the Bonds is USD35,890,295.39, such that a total amount of USD125,650,295.39 is currently due and payable in respect of the Bonds.

12. The Company is therefore currently indebted to the Bondholders in the sum of USD125,650,295.39, although the Company disputes that approximately \$5million of this amount is owing, it accepts that at least US\$120,170,830 is due and payable
13. From late 2017 to October 2019 the Company repeatedly assured the Petitioner and certain Bondholders that various different refinancing efforts were ongoing which could result in a full repayment of the Bonds. No such refinancing ever materialised and no payments have been made by any member of the Group in respect of the Bonds.
14. As explained in further detail at paragraphs 15 and 16 below, the Petitioner has made two previous formal requests to the Company for payment of this debt, but the Company has thus far failed and neglected to pay or satisfy the same or any part thereof.
15. On 9 September 2019, the Petitioner wrote to the Company to formally declare the Bonds to be in default and issued a payment demand in respect of the Bonds, requesting immediate payment of USD122,287,273.52 (being the total amount then outstanding under the Bonds) (the "**September Demand Letter**"). Following delivery of the September Demand Letter, no payment in respect of the Bonds has been made by the Company or any other member of the Group.
16. On 21 October 2019, the Petitioner wrote a second letter to the Company which again formally declared the Bonds to be in default and issued a second payment demand in respect of the Bonds, requesting immediate payment of USD124,334,330.31 (being the total amount then outstanding under the Bonds) (the "**October Demand Letter**"). Following delivery of the October Demand Letter, no payment in respect of the Bonds has been made by the Company or any other member of the Group.
17. On 30 October 2019, the Company wrote to the Petitioner disputing the amounts which had been requested for payment in respect of the Bonds pursuant to both the September Demand Letter and the October Demand Letter, but nevertheless acknowledging that an amount of at least USD120,170,830 was due and payable to the Bondholders as at 21 October 2019.
18. The Company does not have sufficient liquid assets to pay any of the debts referred to herein. The Company is unable to pay its debts:
  - 18.1 As discussed above, the Company has not paid its debt due to the Bondholders under the terms of the Bond Agreement, despite having over two years to do so.
  - 18.2 The Company's 2018 Annual Report (i) shows a total comprehensive loss for the year attributable to owners of the company of USD36,933,000; (ii) includes a statement by BDO LLP (the Company's Independent Auditors) that the Company's USD110,000,000 bond liability (being the amount due in respect of the Bonds as at the date of the report) indicates that "*a material uncertainty exists that may cast significant doubt on*

*the group's ability to continue as a going concern";* and (iii) further states that the Company intends to raise finance to repay the Bonds by a trade sale of a subsidiary, but that no binding sale agreement was in place as at the date of the report.

- 18.3 The Company's interim report dated October 2019 demonstrates a USD7,000,000 net loss for the year and provides no firm indication that the trade sale referred to in the 2018 annual report has or will progress to completion.
19. The Company should be wound up because it is unable to pay its debts.
20. Further or alternatively, in the circumstances it is just and equitable that the Company should be wound up.
21. Alex Lawson and Christopher Kennedy have undertaken due conflicts checks and diligence in relation to the Company and meet the residency, eligibility and insurance requirements of the Insolvency Practitioners Regulations, 2018. Alex Lawson and Christopher Kennedy also consent to their appointment as joint official liquidators of the Company.

#### **Security**

22. The Petitioner is a secured creditor of the Company, by virtue of an equitable share mortgage that was issued in its favour, over the Company's shares in GGC dated 3 December 2014 (**Share Mortgage**). To the best of the Petitioner's knowledge, the Petitioner is the only secured creditor of the Company.
23. Pursuant to the terms of the Share Mortgage and the Bond Agreement, the Petitioner, at the request of the majority Bondholder, appointed receivers, namely Mr Cosimo Borelli (of Borelli Walsh Limited) and Mr Mitchell Mansfield (of Borelli Walsh (Cayman)) (together, **Receivers**) over the GGC shares with immediate effect on 9 September 2019.
24. Whilst the Company did subsequently attempt to challenge the validity of the Receivers' appointment, that challenge was ultimately withdrawn by the Company and the Company has since formally acknowledged and accepted both (a) the existence of the Event of Default under clause 15.1.1 of the Bond Agreement as a result of its non-payment of the Bonds, and (b) the validity of the Receivers appointment. The Receivers remain in office.
25. Following their appointment, the Receivers have taken actions to implement a board cascade plan throughout the Group.
26. Despite the appointment of the Receivers, no payment in respect of the amount owing under the Bond Agreement has been made by any member of the Group.

**YOUR PETITIONER THEREFORE HUMBLY PRAYS THAT:**

- (1) The Company be wound up in accordance with the Companies Law.
- (2) Alex Lawson and Christopher Kennedy, both of Alzarex and Marsal, Flagship Building, PO Box 2506, 2<sup>nd</sup> Floor, 70 Harbour Drive, George Town, Cayman Islands, KY1-1104 be appointed as joint official liquidators of the Company (the **JOLs**).
- (3) The JOLs shall not be required to give security for their appointment.
- (4) The JOLs have the power to act jointly and severally in their capacity as liquidators of the Company.
- (5) The JOLs be authorised to take any such action as may be necessary or desirable to obtain recognition of the JOLs and/or their appointment in any other relevant jurisdiction and to make applications to the courts of such jurisdictions for that purpose.
- (6) The JOLs be authorised to exercise any of the powers listed in Parts I and II of Schedule 3 to the Companies Law and section 110(2) thereof, without further sanction or intervention of the Court.
- (7) The JOLs be authorised to do any act or thing considered by them to be necessary or desirable in connection with the liquidation of the Company and the winding up of its affairs in the Cayman Islands or elsewhere.
- (8) The JOLs be at liberty to appoint such counsel, attorneys, professional advisors, whether in the Cayman Islands or elsewhere, as they may consider necessary to advise and assist them in the performance of their duties in accordance with CWR Order 25.
- (9) No disposition of the Company's property by or with the authority of the JOLs in carrying out their duties and functions and exercise of their powers under this Order shall be voided by virtue of section 99 of the Companies Law.
- (10) Subject to section 109(2) of the Companies Law and the Insolvency Practitioner's Regulations, 2018, the JOLs be authorised to render and pay invoices out of the assets of the Company for their own remuneration.
- (11) The JOLs be at liberty to meet all disbursements reasonably incurred in connection with the performance of their duties and, for the avoidance of doubt, all such payments shall be made as and when they fall due out of the assets of the Company as an expense of the liquidation.
- (12) The Petitioner's costs shall be paid out of the assets of the Company as an expense of the liquidation, such costs to be taxed if not agreed with the JOLs.

(13) Such further or other relief be granted as the Court deems appropriate.

Dated this 18<sup>th</sup> day of November 2019

Filed this 19<sup>th</sup> day of November 2019

*Appleby (Cayman) Ltd*  
**Appleby (Cayman) Ltd.**  
Attorneys-at-Law for the Petitioner

**TIME ESTIMATE:** The estimated length of the hearing of this Petition is a half day.

**NOTE:** This petition is intended to be served on the Company at its registered office.

**This Petition** is presented by Appleby (Cayman) Ltd, Attorneys-at-Law for the Petitioner, whose address for service is 71 Fort Street, PO Box 190 GT, Grand Cayman, KY1-1104, Cayman Islands (Ref: THW/DB/403897.0021)

**NOTICE OF HEARING**

**TAKE NOTICE THAT the hearing of this Petition will take place at the Law Courts, George Town, Grand Cayman on 11 December 2019 at 10 am/pm.**

**Any correspondence or communication with the Court relating to the hearing of this Petition should be addressed to the Registrar of the Financial Services Division of the Grand Court at PO Box 495, Grand Cayman, KY1-1106, telephone no. 349 949 4296.**